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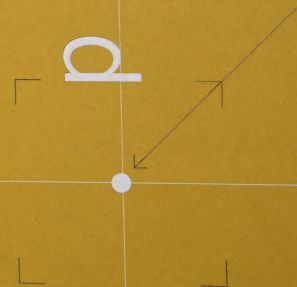
BIRCH MOUNTAIN RESOURCES LTD.
[ANNUAL REPORT 2000]

unique

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Birch Mountain is unique. We are a mineral exploration company involved in scientific research that has led to the identification of natural nanoparticulate metal in Athabasca limestone. Components of our research have been verified by independent third parties, and we have filed a U.S. patent application related to extracting this newly identified form of metal.

profile



letter to shareholders

“Society evolves this way...by the unique capacity of unique, individual human beings to comprehend each other.” Lewis Thomas, author of *The Lives of a Cell*.

Science, like human nature, works in unexpected and unique ways. In 2000, we at Birch Mountain advanced our scientific findings despite facing the challenges imposed by the unexpected halting of the Company's shares and the resulting implications. Through it all, we've been gratified by the human support from you, our shareholders.

Birch Mountain is unique within our industry sector. Although we are a junior mineral exploration company, an increasing portion of our activity is the advanced research which led to the filing of a U.S. patent application in 2000. This uniqueness may also provide future potential revenue from our intellectual property, as well as from potential mineral exploration opportunities on our large landholdings in Athabasca. We are also unique in that we documented the existence of natural metal nanoparticles in

our patent application in 2000. The economic significance of this scientific advancement is unknown, but this science provides the potential for developing new methods to find and produce metals.

For Birch Mountain, the year 2000 was one of regulatory challenges and technical progress. As with any new direction in science and technology, there are always complex issues and because of human nature, there are entrenched beliefs to overcome. Many of the concepts we're advancing are seen as revolutionary to the mining and metallurgical community and go beyond the conventional standards that are in place to regulate the industry. This presents difficulties for regulators, because the Company's technology activities don't always fit the established criteria and disclosure requirements of the mining industry. It's been difficult to reconcile the need to keep you, our shareholders, informed of Birch Mountain's technical progress, while at the same time complying with the mineral disclosure regulations.

First, let's look at our technical progress. Birch Mountain continued on its course during 2000 to further understand the relation between our Prairie Gold exploration model and the micrometre precious metal particles and naturally occurring nanometre-sized metal particles we have

Along the bottom of the pages in this report is a timeline that highlights key events and provides a perspective on events described in the report's text.

[16TH CENTURY]

Georgius Agricola (1556) and Lazarus Ercker (1574) write the first scientific treatises on fire assaying, a process that's been in existence for over 4,000 years.

observed, and to understand this within the context of our Athabasca land. To move forward required an evolution in our focus – from the activity of a typical junior mineral exploration company to increased research on mineral technology. However, our vision of the potential for our Athabasca property has not changed. We have made scientific and technological progress. By examining the nano- and micro-structure, we are expanding our understanding of the behavior of the minerals and metals in our rocks, and by extension, we are furthering our understanding of the exploration potential of our land. The following section on nanoparticles in this annual report illustrates this. But, we're also very aware of the risk that we may not be able to solve the remaining technical uncertainties associated with identifying, locating and developing production methods to economically produce metals from the Athabasca area. We continue to view Birch Mountain as a venture opportunity that, if successful, offers potentially high rewards, but is accompanied with high risks.

Now for the regulatory challenges of 2000. In June, Birch Mountain issued a news release updating shareholders on recent developments. The release inadvertently stated that we had discovered a new form of precious metals.

Our statement was a logical extension of the work at our in-house laboratory, but it provoked concern on the part of the Canadian Venture Exchange Inc. (CDNX) that stated, *"it [CDNX] was skeptical of representations that undetectable gold in potentially economic concentrations exists on the Company's property or that it [Birch Mountain] had or was developing a process to detect and/or extract this gold."* At the request of the CDNX, this statement was retracted, and other technical issues were addressed in a clarifying news release. During this time, the CDNX suspended trading of our shares while Birch Mountain agreed to the terms of a technical audit by a consultant chosen by the CDNX. The audit was conducted, and the conclusions were published in February 2001. The Company and various consultants disagree with virtually all of the nine conclusions in the report. We agreed with the first conclusion: *"All the assay results quoted in the BMD news releases are supported by assay certificates or reports from laboratories. There is no evidence to suggest that any of the samples were tampered with in any manner."* The other eight conclusions

In his search for the source of the Athabasca oil sands, American wildcatter Homer Bradley drills Athabasca Oils Ltd. No. 1 into Precambrian basement rocks.

[1911-1912]

Alberta government geologists report the presence of gold in a sample from Athabasca Oils Ltd. No. 1 drill hole.

[1920]

and our detailed explanations of the errors they contain and the opinions with which we disagree are too long to include in our annual report. However, if you are interested in reading them, they are included in the Form 20-F registration document that we have filed with the U.S. Securities and Exchange Commission (SEC), which is discussed later in this message. After publication of the audit conclusions, the CDNX again suspended trading in our shares on the basis of the audit report. We have initiated an appeal to the Alberta Securities Commission to address this action, which we believe was unwarranted.

The issues surrounding the trading suspension and technical audit have been very costly and disruptive to Birch Mountain and detrimental to the timely solution of our technical issues. Most importantly, the human costs to our staff and directors resulting from this action, have been dramatic – as they have been to many shareholders I've spoken to. Of unknown consequence is the impairment in the future value of the Company because of the loss in technological progress during this time.

An article in the Vancouver Sun, March 26, 2001, called "Would-be Einsteins need not apply" struck a chord with me. By no means are we in the same league as Einstein, but we are pioneering new thinking. The article's author, Anjana Ahuja, quotes Donald Braben, British physics professor at University College London, in a letter Braben sent to the two top international research journals, *Nature* and *Science*: "*We need people like the Einsteins, the Newtons, who can stand back and ask how everything fits together. These are the people who lift our eyes above the horizon, who... create new types of understanding.*" Braben says that while peer review works most of the time, it discriminates against individuals with original ideas that alter scientific understanding, spur new technologies and create wealth. He cites examples: the laser, the transistor and the deduction of the structure of DNA.

Now on to what we are all most interested in – the Company's business plan for the future.

Most importantly, we are proceeding with independent verification of various aspects of the Company's technology as the level of confidence in our laboratory results increases. Early in 2001, we received independent

[1959]

In his lecture, "There's Plenty of Room at the Bottom," Dr. Richard Feynman correctly predicts the manipulation of single atoms.

[1962-1963]

[SPRING]

Geologists detect traces of gold in 4 holes drilled near Athabasca Oils Ltd. No. 1.

confirmation of the presence of nanoparticulate metal in chain-of-custody rock from our Athabasca property. In conjunction with the U.S. patent application we filed during 2000, we are constantly evaluating new technology to determine the merits of additional intellectual property protection.

Of course, our mineral laboratory research is ongoing. Nature, despite formal scientific methods and strict analytical procedures, often reveals itself in serendipitous and unique ways – and not always in the time frame we envision. Hugh and his scientific team of Glen, Kyla, Scott, Brett, Bill and our Scientific Advisory Board, along with researchers in universities here and abroad, continue the pursuit of a fundamental understanding of the underlying controls of metal distributions, extraction and analysis of nanoparticle-bearing rocks from Athabasca.

We are very pleased with the contributions of the founding members of our Scientific Advisory Board (SAB). Dr. Puddephatt is a Fellow of the Royal Society (U.K.), Fellow of the Royal Society of Canada and Professor of Chemistry at the University of Western Ontario. He has published several books on the chemistry of gold and more than 450 peer-reviewed scientific publications in the field of chemistry. Dr. Puddephatt holds patents

and is Senior Editor of the Canadian Journal of Chemistry. Dr. Robert Fitch, President of Fitch and Associates, is primarily involved in assessing new technologies and research in chemistry and physics. Dr. Fitch retired as Senior Vice President of Research and Development for SC Johnson Wax in 1990. Prior to that, he was Professor of Chemistry and Materials Science at the University of Connecticut. Dr. Fitch holds patents and has published more than 100 papers and three books on polymer colloids and polymers at interfaces. The SAB works closely with the technical staff and the board of directors, and provides senior scientific counsel on technical and intellectual property matters.

During the year, we initiated a registration process with the SEC to become a reporting issuer in the U.S. We received our registration, effective November 2000, and have been working with SEC staff to clarify and update this disclosure document. We expect this process will be completed by mid-2001, opening the door for alternate trading venues in the U.S. that will facilitate trading for our American shareholders. To broaden our shareholder base, we're also considering listings abroad.

Dr. K. Eric Drexler, considered the inventor of nanotechnology, publishes the first journal article on the feasibility of advanced molecular engineering.

[1981]

The Geological Survey of Canada (GSC) reports microparticulate gold and other precious and non-precious metals in rocks from Athabasca.

[1994]

We've worked closely with our business advisors, Legg Mason Wood Walker Inc., who are helping us to more fully define our corporate opportunities and evaluate strategic alternatives for the Company. Opportunities are expanding accordingly with our technological progress, and as a result, our business plan is also continuously evolving. Any intellectual property rights resulting from the technical advances will assume a more prominent role in the future of the Company. The structures and optimum timings of strategic corporate alliances with industry partners are in a formative stage, too. As our research evolves, they become increasingly defined.

In short, the Company's business opportunities mirror our evolution from a traditional junior mineral exploration company toward a greater focus on mineral technology. In parallel with this transition, our business opportunities track two broad categories: exploration for mineral deposits on our land, and potential revenue from our intellectual property.

The year 2000 was difficult for the Company – and a unique one in our history, I hope. Two of our directors resigned, Myron Goldstein and Edward Rochette, and we thank them on behalf of the shareholders for their contributions. I sincerely appreciate the persistence of vision and support of shareholders, staff, advisors, legal counsel and the board of directors over this period. Together, we will work to realize the unique potential of Birch Mountain.



Douglas J. Rowe, P.Eng.

President & CEO

April 25, 2001

[1995] — [JANUARY 31]

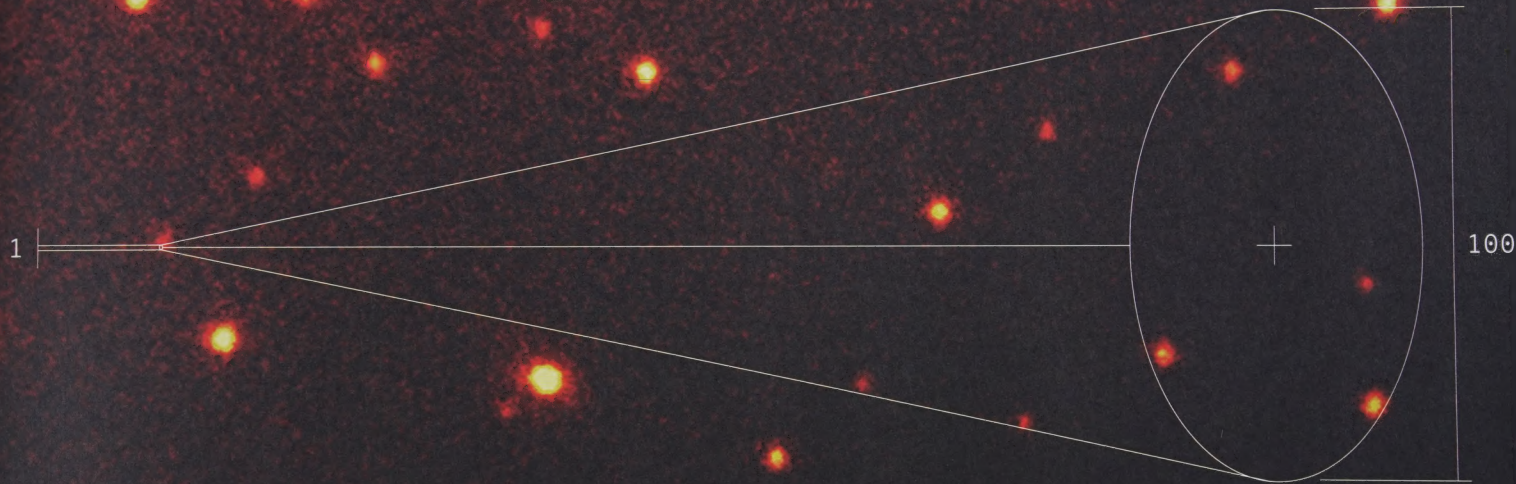
BMD lists on the Alberta Stock Exchange, now known as the Canadian Ventures Exchange (CDNX).

— [SPRING]

BMD begins biogeochemical mapping, structural mapping, air-photo lineament analysis and airborne gamma-ray spectrometry in Athabasca.

nanoparticles

Nanoparticles are very small, ranging from about 1 nanometre to 100 nanometres in size. A nanometre is one billionth of a metre, or about 7 gold atoms across. Putting it in perspective, a nanometre is to a metre what a dime is to planet earth. Birch has identified the occurrence of natural metal nanoparticles in rocks from our Athabasca mineral property in northeastern Alberta.

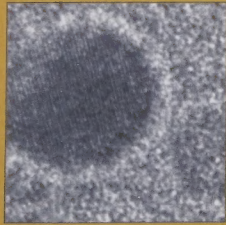


Nanoparticles are so small they must be viewed with a transmission electron microscope (TEM). A TEM works in much the same way as a slide projector, shining a very fine beam of electrons through the sample and projecting the electrons passing through the sample on to a detector. It can see individual atoms. The bright spots in this TEM image are copper nanoparticles about 5 nanometres across and contain about 50,000 atoms.

The Company has received reports from the Materials Technology Laboratory, CANMET, Natural Resources Canada, Ottawa, and from FEI, Eindhoven, Holland, reporting the occurrence of nanoparticulate copper (Images 1 and 2) and iron-oxygen (Image 3) in drill core and surface samples from Athabasca. TEM Image 1 shows a close-up of a single copper nanoparticle, and Image 2 shows numerous copper nanoparticles arranged around open pores in a rock from Athabasca. In a March 2001 report, scientists at the Microscopy and Imaging Facility, University of Calgary, confirmed the occurrence of copper and iron nanoparticles in chain-of-custody rock from Athabasca and in an extract solution prepared independently from the same

rock according to Birch's proprietary extraction protocol. The recovered nanoparticles are shown in Image 4.

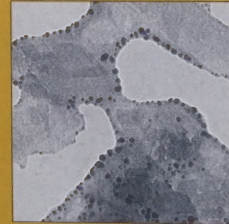
Birch has designed a process to extract the nanoparticles from the rock into solution. In May 2000, the Company filed a U.S. patent application to protect our intellectual property related to the extraction of these newly identified nanoparticulate metals. In August and December 2000, just months after Birch filed a patent application, reports of natural metallic nanoparticles were published in the prestigious scientific journal *Science*^{1,2} by a group from the University of Wisconsin, Madison.



2,000,000x
magnification

Image 1: TEM image of rows of atoms in a copper nanoparticle, drill hole BM98-4

Source: CANMET, Ottawa
Date: February 2000



200,000x
magnification

Image 2: TEM image of copper nanoparticles lining pores in rocks, drill hole BM98-4

Source: University of Calgary
Date: January 2000

[1996] • [SUMMER]

BMD drills 12 holes in Athabasca. 3 in partnership with Syncrude Canada Ltd. (Syncrude).

• [WINTER]

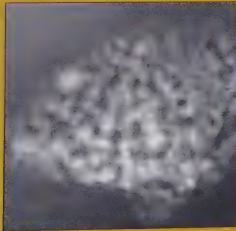
Multi-element geochemical analytical data leads to the first recognition of alteration in Devonian limestone in the vicinity of Syncrude's Aurora Mine development.

We are continuing the development of this extraction technology, focusing on defining the properties of natural metal nanoparticles. Components of the technology have been independently verified, but additional work and verification tests are required before its commercial significance can be assessed.

Scientific reports on colloidal (e.g., nanoparticulate) metals were published over 100 years ago and formed the basis for research on nanomaterials that began in the 1950s and expanded through the 1980s and '90s. Today nanoparticles are on the leading edge of technology and research in the areas of materials science, chemistry, physics and medicine. Their usefulness

is a result of their small size, which gives them a high surface area/volume ratio, which in turn can impart unique physical, mechanical, electronic, magnetic, optical, thermal and chemical properties. Just a few of the many applications for nanomaterials are longer-lasting medical implants, next-generation computer chips, large electrochromic display devices and high energy-density batteries. Little or no consideration has been given to the existence and potential uses of naturally occurring nanoparticles.

There are reasons to believe the copper and iron nanoparticles recently found in rocks from Athabasca may be related to the precious and non-precious



300,000x
magnification

Image 3: TEM image of aggregate of iron-oxygen nanoparticles, drill hole 11-07AE-96-10W4

Source: FEI-Philips, Holland
Date: September 2000



100,000x
magnification

Image 4: TEM image of copper nanoparticles recovered from an extract solution, bulk sample BJ98-008

Source: University of Calgary
Date: January 2000

[APRIL 3] • [1997]

BMD announces significant gold and platinum grades in limestone from 3 different fire assays of an interval in Syncrude drill hole 11-7-AE-96-10W4 (11-of-7) independently obtained by consultants working for Syncrude and confirmed by reanalysis.

[APRIL] •

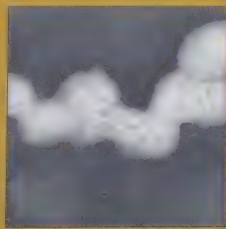
BMD initiates a high-resolution airborne magnetic survey of the central part of our Athabasca mineral property.

metal microparticles found in the same rocks using a scanning electronic microscope (SEM)³. The chemical compositions of the microparticles are highly diverse. In our analysis of relevant SEM data, Birch has recognized more than 500 distinct microparticle compositions representing 54 elements of the periodic table, including gold, silver and all 6 of the platinum group metals. Iron and copper are the most common elements found in nanoparticles and gold-bearing microparticles. We are testing the hypothesis that gold and other precious metals are related to the copper and iron nanoparticles.

The textures shown by gold, silver and other precious metal microparticles provide further evidence for a linkage between the microparticles and smaller

nanometre-size particles. Image 5 shows a composite microparticle made up of fused spheres of silver-chlorine. Each of the spheres is approximately 1 – 2 micrometres in diameter. Closer examination of the metal spheres in this image shows that they are composed of much smaller particles, perhaps as small as 20 nanometres. Birch suggests that microparticles may each be composed of anywhere from hundreds of thousands to millions of smaller nanometre-size particles.

The compositions of some metal microparticles are highly unusual and are unexpected in rocks such as those from Athabasca, which have not been exposed to high-temperature geological processes. For example, one of the



3,000x
magnification

Image 5: SEM image of silver-chlorine microparticle aggregate, drill hole 11-07AE-96-10W4

Source: Birch Mountain Resources Ltd.
Date: June 2000



4,000x
magnification

Image 6: SEM image of a gold microparticle, drill hole 11-07AE-96-10W4

Source: Birch Mountain Resources Ltd.
Date: August 2000

[1997] — [MAY]

BMD signs a co-development agreement with Syncrude for activities on its Aurora lands.

— [JUNE]

In our 1996 annual report, BMD publishes details of the Prairie Gold Model, which postulates the low-temperature origin of microparticulate gold, silver and platinum group metals in Athabasca rocks.

most common microparticle compositions reported is copper-zinc, commonly known as brass. Particles of this composition have also been reported in the Sukhoi Log gold-platinum group metal deposit in Siberia⁴. Because the rocks in Athabasca could never have reached the temperatures needed to form the usual crystalline form of copper-zinc alloy, we hypothesize that these microparticles are mixtures of copper and zinc nanoparticles. This suggestion is supported by SEM observations which show that the ratio of copper to zinc can vary within a single microparticle, a result that would not be expected if they were high-temperature alloy materials.

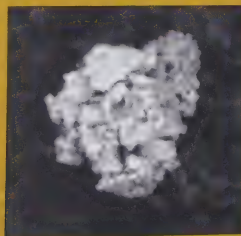
Our test work related to nanoparticulate metals is ongoing. Results demonstrate that we can produce nanoparticulate metal concentrates at the bench scale, but further work is required to generate reproducible measurements of the metal concentrations in solutions containing nanoparticulate metals.

¹ Banfield et al., 2000: Aggregation-based crystal growth and microstructure development in natural iron oxyhydroxide biomineralization products. *Science*, vol. 289, p. 751.

² Labrenz et al., 2000: Formation of sphalerite (ZnS) deposits in natural biofilms of sulfate-reducing bacteria. *Science*, vol. 290, p. 1744.

³ Abercrombie and Feng, 1997: Geological setting and origin of microdisseminate Au-Ag-Cu minerals, Fort McMurray region, northeastern Alberta. *Geological Survey of Canada, Bulletin* 500, p. 247.

⁴ Distler et al., 1996: Modes of occurrence of the platinum group elements and their origin in the Sukhoi Log gold deposit (Russia). *Geology of Ore Deposits*, vol. 38, no. 6, p. 413.



1,000x
magnification

Image 7: ESEM image of a gold and silver microparticle. Core sample, drill hole BM2000-2

Source: Birch Mountain Resources Ltd.
Date: April 2001



1,300x
magnification

Image 8: ESEM image of a platinum microparticle. Core sample, drill hole BM2000-2

Source: Birch Mountain Resources Ltd.
Date: April 2001

[SUMMER]

BMD conducts field exploration including geological mapping, and rock and soil geochemical surveys.

[FALL]

BMD examines 150 oil sands drill cores and 275 electric logs from Syncrude and identifies visual criteria of alteration.

management's discussion & analysis

Management's Discussion and Analysis describes Birch Mountain's operating and financial results for the year ended December 31, 2000.

Overview

Birch Mountain is a unique company. We are exploring for commercially viable metal deposits on our mineral permits and leases in Athabasca in northeastern Alberta and Dawson Bay in west-central Manitoba. From the time the Company began in 1995, we have been pioneers in developing a new exploration model and in seeking to develop analytical methods to reliably measure the concentration of metals in rocks from the Company's mineral properties. In 2000, we identified natural nanoparticulate metal in rocks from our mineral properties in Athabasca. The Company's scientists and independent third parties have extracted nanoparticulate metal from rock into solution, and in the spring of 2000, the Company filed a U.S. patent application to protect the intellectual property related to the extraction of this form of metal. The Company has no assurance that a commercially viable ore deposit exists on our mineral permits or leases,

or that there are commercial concentrations of nanoparticulate metals on these lands, or that a commercially viable process for metal extraction will be developed.

To assist us, Birch Mountain established a Scientific Advisory Board (SAB) in December 2000. The primary functions of the SAB are to provide independent advice to the board of directors on scientific matters, advice to management on scientific aspects of the Company's research, and a liaison role with scientific institutions related to specific research. Dr. Richard Puddephatt and Dr. Robert Fitch were appointed as the founding members of the advisory board.

Birch Mountain maintains a 100% interest in most of our exploration landholdings, which in 2000 totaled 940,475 hectares, equivalent to 2.3 million acres, primarily in Alberta.

The Company has had co-development agreements with Syncrude Canada Ltd. and Suncor Energy Inc., and a co-operation agreement with Shell Canada Limited for several years. On December 15, 2000, the agreement with Shell Canada was re-signed and reinstated in the name of Albion Sands Energy Inc., the joint venture operating company owned by Shell Canada, Chevron Canada Resources Limited and Western Oil Sands L.P.

[1998] → [JANUARY]

BMD announces an agreement with Lytton Minerals and New Indigo Resources to explore for diamonds on the Company's properties in the Caribou Mountains, Birch Mountains and Athabasca Valley.

→ [MARCH]

BMD signs a co-development agreement with Shell Canada/BHP Diamonds on Oil Sands Lease 13. BMD and Lytton-New Indigo drill 6 diamond targets on Birch's Athabasca mineral property, without success.

These companies hold overlapping mineral rights (oil sands leases) with Birch Mountain's Metallic and Industrial Mineral Permits and Leases.

Birch Mountain has no revenues, and our funding has come primarily from private placements. We have incurred operating losses since our inception in 1995. As of December 31, 2000, we had a deficit of \$13,528,173. Our losses are primarily from costs associated with the business of mineral exploration, and in the year 2000, scientific research. Our results of operation have fluctuated from period to period and may continue to do so in the future depending on timing, amount and type of funding. We expect to incur additional operating losses in the future as we continue our exploration and research.

The Company is subject to risks common to companies involved in developing new and unproven technologies. In addition, we are subject to the risks associated with business strategy, technological change, the history of operating losses, the need for future capital, competition, patent and proprietary rights, dependence on key personnel, and the volatility and trading of our stock, the latter which suffered a significant impact during the last 12 months.

The Canadian Venture Exchange

A significant development in the past year was the trading suspension imposed by the Canadian Venture Exchange Inc. (CDNX). On the basis of statements contained in the Company's news release of June 15, 2000,

announcing our technical advancements and the filing of a U.S. patent application, trading of the Company's common shares was halted by the CDNX on June 16, 2000. On June 28, 2000, the CDNX suspended trading of the Company's shares.

Following three months of information review and consultation, the Company agreed to issue a clarifying news release, cooperate with the CDNX to conduct an independent technical audit and provide assurance to the CDNX that insiders of the Company would not trade in the Company's securities until the independent audit was complete. On this basis, the CDNX agreed to allow trading in Birch Mountain's shares to resume. The clarifying news release was issued on September 27, 2000, and the CDNX reinstated trading of the Company's common shares on September 29, 2000.

Associated Mining Consultants Ltd. (AMCL) of Calgary conducted the independent technical audit. The audit began on October 6, 2000, and a final report was issued to the CDNX and the Company on February 8, 2001. The Company issued a news release on February 16, 2001, that contained AMCL's conclusions, and the statement that Birch Mountain considered the audit process to have been flawed and disagreed with most of AMCL's conclusions. The CDNX again suspended trading of the Company's common shares on March 5, 2001, based on information in the AMCL audit report. The Company has detailed its disagreements with the AMCL conclusions and filed these, together with other third-party reports on March 9, 2001, as part of our

[MAY]

BMD signs a co-development agreement with Suncor Energy Inc.
Oil Sands on its Millennium Project lands.

[SUMMER]

BMD collects bulk samples from surface
trenches exposing altered Devonian limestone.

appeal to the Alberta Securities Commission of the suspension of trading. At the time of printing this report, there have no developments relative to our appeal.

Registration with the U.S. Securities and Exchange Commission

In September 2000, Birch Mountain filed a Form 20-F Registration with the U.S. Securities and Exchange Commission (SEC). Registration with the SEC enables U.S. broker/dealers to solicit secondary investment in the Company's securities and facilitates investment by U.S. citizens. Additionally, registration with the SEC is a prerequisite to an application for listing on a U.S. stock exchange.

The Company now must file reports with U.S. regulatory authorities that requires the reconciliation from Canadian generally accepted accounting principals (GAAP) to US GAAP for significant differences, which are included in Note 15 to the audited financial statements.

The recent accounting guide line; *AcG-11 - Enterprises in the Development Stage*, released in March 2000 by the Canadian Institute of Chartered Accountants will be effective for fiscal periods beginning on or after April 1, 2000. The guideline states that enterprises in the development stage can defer pre-operating costs only when it is probable that these costs will be recoverable from future operations. Upon application of this guideline, all

outstanding balances of deferred development and pre-operating costs are to be reviewed, on a project-by-project basis, to assess their recoverability from future operations. Any writedown or write-off resulting from this review is to be treated as a change in accounting policy and applied retroactively without restatement of the financial statements of the prior periods.

In the absence of reasonable assurance of recovery from future related revenues, the \$8,338,431 of mineral exploration costs on the balance sheet of the Company at December 31, 2000, would be written off with a corresponding increase in the January 1, 2001, opening deficit. The resulting policy for accounting for future mineral exploration costs would be to expense these costs as incurred, unless there is reasonable assurance the costs can be recovered from future operations of the related project.

The adoption of *AcG-11* and the resulting change in accounting policy will result in essentially the same treatment of exploration-related costs for the Company under both Canadian and U.S. GAAP.

Results of Operations

Costs and Expenses Total costs and expenses were \$2,171,366 in 2000, up from \$835,687 in 1999 and \$737,371 in 1998. Salaries, management fees and benefits were \$475,912 in 2000 compared with \$247,780 in 1999 and \$198,538 in 1998. They increased in 2000 because of staff additions and the restoration of salary reductions made in previous years. Under the

[1999] — [JANUARY]

BMD drills additional holes to collect bulk samples, including twinning 11-of-7.

— [MARCH]

Birch hypothesizes that the presence of precious and non-precious metals as nanoparticles might explain (i) the unusual compositions of precious and non-precious metal microparticles, and (ii) apparent problems in obtaining positive precious metal assays from rocks shown to contain microparticulate precious metals.

consulting category, a non-cash finder fee of \$490,000 paid to American Precious Metals (APM) of Mountain Lakes, New Jersey, was the largest expense item in 2000. On May 25, 2000, the Company reported that we had concluded a consulting agreement with APM. APM received 350,000 of the Company's common shares, subject to a four-month hold period, in consideration for assistance in materially advancing Birch Mountain's research in the development of assay procedures. APM will be entitled to receive an additional 150,000 common shares upon confirmation that a proprietary assay procedure provided to Birch Mountain reliably confirms commercial concentrations of precious metals in Athabasca rock. The higher expenses in 2000 also reflected the significant increase in laboratory work and the filing of a U.S. patent. Office expenses included an assessment filing to hold our Athabasca and Birch Mountain mineral permits for two more years. Legal, consulting and staff costs associated with the suspension of trading imposed by the CDNX and the independent technical audit ordered by the CDNX represented a major increase in operating expenses in 2000. The writing and filing of the Form 20-F Registration with the U.S. Securities and Exchange Commission also added considerable professional costs in 2000. Higher expenses in 1999 versus 1998 reflected our increased laboratory work and industry activity associated with our co-development agreements with major oil sands producers in Athabasca.

[JUNE]•

BMD announces that fire assays of rock samples from twinned holes near 11-of-7 detected no anomalous concentration of precious metals.

Corporate Income and Expense Birch Mountain is engaged in mineral exploration and technology development related to mineral characterization and bench-scale metal extraction from rock on its mineral properties. The Company's main source of income from year to year is interest earned on its term deposits. The interest income over the years has varied with the amount of money in term deposits and has not been a significant component of the Company's ability to operate. Interest and other income in 2000 was \$194,504 compared with \$71,096 in 1999 and \$38,316 in 1998.

The Company and its subsidiaries have no income from production because our properties are still at an exploration stage and technology is still under development. The Company spends about \$150,000 per month for management and shareholder services, outside consulting, laboratory analysis, evaluation of geological samples, travel and other expenses.

Liquidity and Capital Resources Our primary sources of cash have been private placements. At December 31, 2000, our working capital was approximately \$2.6 million. The Company completed private placement financings of \$2.7 million in January 2000, and the exercise of warrants in April 2000 provided an additional \$1.3 million. While Birch Mountain has been successful in raising funds, we believe junior resource companies will continue to have difficulty financing new issues in 2001. As a result, the Company will remain prudent and cautious, preserving our working capital

[SUMMER]•

BMD establishes its own laboratory to evaluate the geochemical characteristics of our exploration samples.

by conducting selective field programs and value-adding laboratory work as well as minimizing general and administrative costs.

Comparatively, at December 31, 1999, working capital was approximately \$700,000 following private placements in April and November that generated \$1.7 million of cash. Working capital at December 31, 1998 was \$270,000.

Capital expenditures totaled \$2.4 million in 2000, of which 95% was directed to exploration. We focused our exploration on Birch Mountain's two major Prairie Gold prospects, directing 97% of our 2000 exploration expenditures to our Athabasca project and the balance to our Dawson Bay play. We spent \$160,539 on scientific research in 2000, primarily on the development of proprietary extraction and analytical techniques. There were no similar expenditures on research in the previous two years. The results of our research led to the filing of a U.S. patent application in the spring of 2000. We are continuing the work in our lab, at university and government labs in Canada and at various competent independent laboratories.

By comparison, our capital expenditures in 1999 were \$680,000, with 90% directed to Athabasca and in 1998, they were \$2.3 million. Of the \$2.3 million spent in 1998, approximately \$1.5 million was recovered under the terms of a joint venture agreement negotiated in January 1998. There were no funds spent on the diamond joint venture with Tahera Corporation in 1999 or 2000, and the joint venture agreement was terminated, with Tahera earning no interest in the land.

Financing activities provided cash of \$4,364,500 in 2000, primarily from proceeds received from private placements. On January 28, 2000, the Company announced the completion of a non-brokered private placement consisting of 2,365,256 units under which 1,160,000 common shares were issued with attached flow-through benefits. Each unit was priced at \$1.15 and consisted of one common share and one-half common share purchase warrant. Each common share purchase warrant entitled the holder to purchase one common share at an exercise price of \$1.50 per common share for one year from the date of issuance.

In 1999, the Company completed two private placements. The first consisted of 2.9 million common share purchase units under 1.45 million common shares were issued with flow-through benefits and 1.45 without. Each unit was priced at \$0.36 and consisted of one common share and one-half common share purchase warrant, the latter which entitled the holder to purchase one common share at an exercise price of \$1.00 per common share on or before April 12, 2000. Birch Mountain announced on April 28, 2000, that 1,322,226 of the warrants that were issued pursuant to a private placement announced on April 13, 1999, were exercised at \$1.00 per common share. The second private placement in 1999 consisted of 491,305 units priced at \$1.15 and comprised of one common share (of which 40,000 had flow-through benefits) and one-half common share purchase warrant entitling the holder to purchase one common share at

[2000] [SPRING]

BMD discovers the occurrence of natural nanoparticulate metals in limestone and in solution extracts from a bulk sample. BMD applies for a U.S. patent to protect our technology related to nanoparticle extraction and recovery. BMD drills two holes to provide chain-of-custody samples for additional testing.

[JUNE 16]

CDNX halts the trading of BMD shares on the basis that a news release of June 15 inferred BMD had developed a technology to detect and/or extract gold not quantifiable by conventional means.

an exercise price of \$1.50 on or before November 10, 2000. The expiry date on these warrants has been extended to August 10, 2001.

On February 9, 2001, the Company announced that the expiry date on all outstanding warrants were extended as follows: 230,652.5 warrants which were to have expired on February 10, 2001, will now expire on August 10, 2001; 764,231 warrants which were to have expired on April 21, 2001, will now expire on October 22, 2001; 408,614 warrants which were to have expired on April 25, 2001, will now expire on October 25, 2001, and 9,782 warrants which were to have expired on April 30, 2001, will now expire on October 31, 2001. The exercise price of all warrants remains at \$1.50 per share.

In 1999, the Company received a refund of the Seriousness Bond, plus interest in the amount of \$212,629 from the Federal Republic of Indonesia and sold 217,000 shares of Tahera Corporation for proceeds of \$8,890. The Company continues to hold 177,000 shares of Tahera Corporation.

In 2000, employees, consultants and directors of the Company exercised an aggregate of 625,600 stock options pursuant to Birch Mountain's stock option plan. This compares with 257,400 stock options exercised in 1999 and 47,000 in 1998.

We believe that our existing capital resources are adequate to maintain operations at our current rate of investment in exploration and research to the end of 2001. However, there is no assurance that events affecting our operations will not result in changes to our expenditures. We anticipate the

need for additional funding in the future through public or private financing. Additional financing may not be available when needed, or if available, it may not be on terms that are acceptable to us. To the extent that we raise additional capital by issuing equity or convertible debt securities, ownership dilution to shareholders will result.

Birch Mountain does not use derivative instruments. Other than the Tahera Corporation shares, which were accepted as a settlement of debt, the Company only invests in bank guaranteed certificates of deposit, and consequently, we do not expect any material loss from marketable security instruments and believe our interest rate exposure is limited.

Landholdings

Birch Mountain filed an assessment report with the Alberta government in April 2000 to hold all of our land in the Birch Mountains and the Athabasca valley, except for 27,648 hectares (68,291 acres) along the Clearwater River that were turned back in January 2000 as they were no longer considered prospective. On December 7, 2000, the Company announced that we had converted 45,388 hectares (122,156 acres) of mineral permits to mineral leases in our primary area of interest in the Athabasca valley and had relinquished all 19 mineral permits covering 175,104 hectares (432,690 acres) in the Caribou Mountains as we no longer considered the land to be prospective. Birch Mountain negotiated the purchase from Tintina Mines Limited and NSR Resources Inc. of a 100% interest in two Metallic and

[SEPTEMBER 29]

After an information review, consultation and a clarifying news release issued by BMD, CDNX reinstates trading of BMD shares and selects Associated Mining Consultants Ltd. to conduct an independent audit.

[DECEMBER 15]

BMD announces the formation of a Scientific Advisory Board with Dr. R.J. Puddephatt and Dr. R.M. Fitch as founding members.

Industrial Mineral Leases covering 2300 hectares (5,681 acres) on the Athabasca valley for 600,000 common shares. The acquisition closed on February 15, 2000.

Based on the amount of land held under lease at December 31, 2000, annual lease payments of approximately \$175,000 will be required, and the Company would be required to file exploration assessments of approximately \$10.8 million in 2002 to hold the permits for another two-year period. However, as our exploration continues, we anticipate reducing our landholdings to the areas we consider most prospective.

In February and March 2000, a high-resolution aeromagnetic (HRAM) survey was flown over Special Exploration Permits 96-1, 99-1 and 99-2 on our Dawson Bay prospect. The Manitoba Exploration Assistance Program

provided financial assistance for the survey. The purpose of the HRAM survey was to delineate basement and intrasedimentary faults to augment our knowledge of the structural complexity in the Dawson Bay area.

All assessment reports submitted in 2000 for work conducted in 1999 and 2000 were accepted for the three special exploration permits held by Dawson Bay Minerals Inc. A three-year extension for SEP 96-1 was applied for and accepted. Dawson Bay Minerals now holds SEP 96-1 until February 11, 2003. We plan to reduce our landholdings in Manitoba in 2001.

The company no longer has interests in land in the Yukon Territory or the Republic of Indonesia.

Landholdings

(December 31)	2000		1999		1998	
Project	hectares	acres	hectares	acres	hectares	acres
Athabasca	765,306	1,891,105	791,631	1,956,162	791,603	1,956,092
Birch Mountain	82,944	204,959	82,944	204,959	82,944	204,959
Caribou Mountain	—	—	175,104	432,691	175,104	432,691
Dawson Bay	92,225	227,893	92,225	227,893	15,073	37,246
Yukon Territory	—	—	—	—	3,563	8,804
Total	940,475	2,323,957	1,141,904	2,821,705	1,068,287	2,638,669

[2001] [FEBRUARY 16]

BMD issues a news release containing AMCL's conclusions, stating that we disagree with a number of them and consider the audit process to be flawed.

[MARCH 5]

CDNX halts the trading of BMD shares pending the review of issues arising from the findings of the technical audit conducted by AMCL and from its own review of the Company's affairs.

Special Places 2000

Certain lands in northeastern Alberta are subject to nomination for preservation under the Special Places 2000 initiative of the Alberta Government. The government has committed to "honour all existing disposition," which means that the Company's land interests will not be impaired. Until enabling legislation is passed, and the process for honoring existing disposition is defined, there is some risk that land nominated under the Special Places 2000 initiative may not be developed for mineral production. However, none of Birch Mountain's mineral leases are subject to a Special Places 2000 nomination.

Corporate Organization

Dawson Bay Minerals Inc. is a wholly owned subsidiary of Birch Mountain Resources Ltd., and was incorporated to hold the Special Exploration Permits in Manitoba. Danfort Development Limited, is owned by Rockyview Development Ltd. which in turn, is a wholly owned subsidiary of Birch Mountain Resources Ltd. Rockyview Development and Danfort Development are registered and in good standing in the British Virgin Islands. Dawson Bay Minerals Inc. is the only active subsidiary.

Safety Health and Environmental Management

Birch Mountain has implemented a formal policy with respect to the safety, health and environmental aspects of our business activities. The

Board of Directors receives reports on safety, health and environment from management regularly at Board meetings.

Disclosure

The Company has conducted a careful reexamination of its disclosure policy and procedures. The Company is committed to full, fair and timely disclosure of all material events. All published information such as annual reports, news releases and information circulars are approved by the President with input from senior management and the Board of Directors when appropriate. Prior to their release, our news releases are reviewed by legal council. Internet communications via e-mail are restricted to a limited number of management personnel, and postings to the Company's web page must have prior approval from senior management.

This annual report contains forward-looking statements that represent management's judgment regarding future events. Forward-looking statements are typically identified by the use of words such as may, will, should, plan, expect, anticipate, intend, estimate and similar terms. Other than historical fact, all statements in this report regarding our financial position, business strategy and plans for the future are forward-looking statements. We cannot guarantee the accuracy of these forward-looking statements, and they may not be updated. Actual results could differ materially from forward-looking statements because of the variety of risks affecting our business.

[MARCH 14]

BMD files an appeal with the Alberta Securities Commission requesting a review of the CDNX decision to suspend trading on the basis the suspension wasn't factually supported by the AMCL report.

[MARCH 23]

BMD announces independent confirmation of copper and iron nanoparticles in chain-of-custody rock from Athabasca.

financials

Birch Mountain has included numbers for the years ended December 31, 2000, 1999 and 1998 in the Consolidated Statements of Cash Flow and the Consolidated Statements of Deficit and Loss. Tabular information in the Notes to the Consolidated Financial Statements also contains three years of comparative data.

auditors' report

To the shareholders of
Birch Mountain Resources Ltd.

We have audited the consolidated balance sheets of Birch Mountain Resources Ltd. as at December 31, 2000 and 1999 and the consolidated statements of loss and deficit and cash flow for each of the years in the three-year period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

With respect to the consolidated financial statements for the year ended December 31, 2000, we conducted our audit in accordance with Canadian generally accepted auditing standards and United States generally accepted auditing standards. With respect to the consolidated financial statements for each of the years in the two-year period ended December 31, 1999, we conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis,

evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flow for each of the years in the three-year period ended December 31, 2000, in accordance with Canadian generally accepted accounting principles.



Calgary, Alberta

March 26, 2001

Chartered Accountants

COMMENTS FOR U.S. READERS

In the United States, reporting standards for auditors require the addition of an explanatory paragraph following the opinion paragraph when there are substantial uncertainties about the Company's ability to continue as a going concern, as referred to in Note 1 to these consolidated financial statements. Our report to the shareholders dated March 26, 2001, is expressed in accordance with Canadian reporting standards which do not permit a reference to such matters in the auditors' report when the facts are adequately disclosed in the financial statements.

management's responsibility for financial statements

Management is responsible for all information contained in this annual report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP), and include amounts based on management's informed judgments and estimates. The financial and operating information included in this annual report is consistent with that contained in the consolidated financial statements in all material aspects.

Management maintains internal controls to provide reasonable assurance that financial information is reliable and accurate, and that assets are safeguarded.

External auditors appointed by the shareholders have independently examined the consolidated financial statements, and performed the tests

deemed necessary to enable them to express an opinion on these consolidated financial statements.

The Audit Committee has reviewed the consolidated financial statements with management and the auditors. The board of directors has approved the consolidated financial statements, on the recommendation of the Audit Committee.



Donald L. Dabbs,
Vice President & CFO

consolidated balance sheets

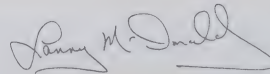
As at December 31

	2000	1999
ASSETS		
Current		
Cash (Note 4)	\$ 2,861,915	\$ 943,558
Accounts receivable	64,422	36,384
Prepays and deposits	10,034	12,691
	2,936,171	992,633
Investment (Note 5)	15,930	15,930
Capital (Note 6)	200,587	144,674
Mineral exploration costs (Note 7)	8,338,431	7,828,506
	\$ 11,491,119	\$ 8,981,743
LIABILITIES		
Current		
Accounts payable	\$ 385,462	\$ 324,727
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	24,633,830	18,654,561
Deficit	(13,528,174)	(9,997,545)
	11,105,657	8,657,016
	\$ 11,491,119	\$ 8,981,743



Donald L. Dabbs,

President



Lanny K. McDonald,

Director

consolidated statements of loss & deficit

For the years ended December 31

	2000	1999	1998
Expenses			
Salaries, management fees and benefits	475,912	\$ 247,870	\$ 198,538
Consulting	650,172	41,562	28,542
Shareholder services and promotion	278,583	222,769	132,844
Office	228,276	162,197	176,104
Professional fees	322,499	120,811	131,085
Research costs	160,539	—	—
Amortization	55,385	40,478	70,258
Loss before the following	2,171,366	835,687	737,371
Interest and other income	(194,504)	(71,096)	(38,316)
(Gain) loss on disposal of investment	—	(2,090)	105,000
Writedown of investments	—	14,160	143,220
Writedown of mineral exploration costs (Note 7)	1,792,388	25,836	2,269,821
	1,597,884	(33,190)	2,479,725
Loss before income taxes	3,769,250	802,497	3,217,096
Future income tax recovery	(238,622)	(226,800)	(326,727)
Net loss for the year	3,530,628	575,697	2,890,369
Deficit at beginning of year	9,997,545	9,421,848	6,531,479
Deficit at end of year	\$ 13,528,173	\$ 9,997,545	\$ 9,421,848
Loss per share (Note 9)	\$0.11	\$(0.02)	\$(0.13)

consolidated statements of cash flow

For the years ended December 31

	2000	1999	1998
Cash flows from operating activities			
Interest income received	\$ 168,530	\$ 71,096	\$ 38,316
Cash received from Government of Indonesia	—	175,555	165,708
Cash paid to employees	(475,912)	(247,870)	(198,538)
Cash paid to suppliers	(1,103,416)	(526,667)	(597,549)
	(1,410,798)	(527,886)	(592,063)
Cash flows from financing activities			
Issuance of common shares for cash	4,386,926	1,656,061	573,893
Share issuance costs	(36,536)	(34,594)	(13,061)
	4,350,390	1,621,467	560,832
Cash flows from investing activities			
Proceeds on disposal of investment	—	8,890	25,000
Purchase of capital assets	(118,922)	(38,438)	(1,549)
Mineral exploration costs	(902,313)	(595,663)	(236,348)
	(1,021,235)	(625,211)	(212,897)
Increase (decrease) in cash	1,918,357	468,370	(244,128)
Cash at beginning of year	943,558	475,188	719,316
Cash at end of year	\$ 2,861,915	\$ 943,558	\$ 475,188

notes to the consolidated financial statements

For the years ended December 31, 2000,
1999 and 1998

1. Nature of operations and going concern considerations

Birch Mountain Resources Ltd. is in the process of exploring its mineral leases and permits and has not yet determined whether they contain economically recoverable reserves.

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles on a going concern basis. This presumes funds will be available to finance ongoing exploration, operations and capital expenditures and permit the realization of assets and the payment of liabilities in the normal course of operations for the foreseeable future. The Company has incurred a net loss of \$3,530,628 during the year ended December 31, 2000 (1999 – \$575,697; 1998 – \$2,890,369) and as at December 31, 2000, has a deficit of \$13,528,173. The Company's ability to continue as a going concern is largely dependent on its success in obtaining sufficient funds to carry out exploration activities on its mineral claims, preserving its interest in the underlying claims, establishing the existence of economically recoverable mineral reserves, achieving successful results from

its research efforts and obtaining the financing to complete the development and achieve future profitable production or, alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Management plans to continue to access the equity market from time to time for financing of its operations and to be prudent with general and administrative expenditures and selective in its exploration expenditures in order to preserve the Company's working capital. The Company has been successful in the past in raising funds for operating and exploration activities, but there is no assurance that it will be able to do so in the future. Should future financing efforts not meet with success, there is substantial doubt about the ability of the Company to continue as a going concern as it would likely have to dispose of its assets on a less than advantageous basis.

These financial statements do not give effect to any adjustments which might be necessary should the Company be unable to continue its operations as a going concern.

The Company has generally financed its exploration and operating costs through public offerings and private placements. The Company is obligated to incur certain levels of expenditures in order to maintain its rights to continue exploration of certain mineral leases and permits.

2. Significant accounting policies

The consolidated financial statements are expressed in Canadian dollars and are prepared in accordance with accounting principles generally accepted in Canada. These financial statements include the accounts of the Company and its wholly owned subsidiaries, Dawson Bay Minerals Inc., Swift River Minerals Ltd., and Rockyview Development Limited and its subsidiaries. Swift River Minerals Ltd. was voluntarily dissolved June 30, 2000. Rockyview Developments Limited and its subsidiaries have been inactive for the past two years.

a) MINERAL EXPLORATION COSTS

The mineral leases and permits are recorded at cost. Cost includes cash consideration and the market value of shares issued, if any. All direct and indirect acquisition and exploration expenditures are capitalized and deferred until the leases and permits to which they relate are placed on production, sold, allowed to lapse, or abandoned. These costs will be amortized over the estimated useful lives of the leases and permits following the commencement of production, or written off if the leases and permits are sold, allowed to lapse, or abandoned. The Company assesses the carrying value of these mineral exploration costs annually and based on estimates, adjusts the carrying amount for any impairments in value or surrender of permits or leases.

Leases and permits acquired under option or joint venture agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

b) CAPITAL ASSETS

Capital assets are recorded at cost. Amortization is recorded at the following annual rates:

Equipment	20% to 30% declining balance
Computer software	100% declining balance
Computer hardware	30% declining balance
Automotive	30% declining balance
Leasehold improvements	20% straight line

Amortization is charged at one-half of the annual rate in the year of acquisition of an asset.

c) FUTURE INCOME TAXES

The Company has adopted the liability method of accounting for income taxes. Under this method, future income tax liabilities and future income tax assets are recorded based on temporary differences – the difference between the carrying amount of an asset or liability in the consolidated balance sheet and its tax basis – at the rate enacted at the date of the balance sheet. At the end of each year, future tax assets and future tax liabilities are reassessed, and any changes in the settlement value is reflected in income.

d) STOCK OPTIONS

No compensation expense is recognized when stock options are issued to employees, service providers or directors. Any consideration paid by the optionee on the exercise of stock options is credited to share capital.

e] CASH

Cash includes cash on account and demand deposits.

f] FLOW-THROUGH SHARES

Under Canadian income tax legislation, corporations are permitted to issue shares whereby the Company agrees to incur qualifying expenditures, as defined under the Canadian Income Tax Act, and renounce the related income tax deductions to the investors. Share capital is reduced by the estimated future income tax cost of the renounced deductions as the expenditures are incurred.

g] RESEARCH COSTS

The Company is actively engaged in researching new mineral technology applications. Costs associated with such projects are expensed in the period they are incurred.

h] USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally acceptable accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of mineral exploration costs and reclamation obligations. Financial results as determined by actual events could differ from those estimates.

Acquisitions

During 1999, the Company acquired all of the outstanding shares of 846785 Alberta Ltd., which held a royalty interest and mineral leases. The cost of the acquisition, which was accounted for using the purchase method, consisted of 25,000 common shares of the Company. The purchase price of \$28,500 has been allocated to mineral exploration costs.

846785 Alberta Ltd. was dissolved during the year ended December 31, 1999.

Cash

	2000	1999
Cash, available for use	\$ 2,823,915	\$ 890,558
Cash, subject to restriction	38,000	53,000
	\$ 2,861,915	\$ 943,558

Cash subject to restriction represents amounts on deposit as security for letters of credit to the governments of Alberta and Manitoba.

Investment

	2000	1999
Tahera Corporation	\$ 15,930	\$ 15,930

The cost of the Company's investment in 177,000 shares (1999 – 177,000 shares) of Tahera Corporation, formerly, Lytton Minerals Limited, has been written down to reflect its market value at December 31, 1999. During 1999, the Company disposed of 40,000 shares for net proceeds of \$8,890. The market value of the investment at December 31, 2000, was \$21,240.

6. Capital assets

	2000		1999	
	Cost	Net Book Value	Cost	Net Book Value
Equipment	\$ 229,605	115,055	\$ 182,672	91,292
Computer	212,567	55,073	179,914	44,549
Automotive	38,417	29,317	34,090	8,185
Leasehold improvements	2,501	1,142	1,583	648
	\$ 483,090	200,587	\$ 398,259	144,674

7. Mineral exploration costs

	Balance Dec. 31, 1999	Additions During the Year	Writedown During the Year	Balance Dec. 31, 2000
Alberta	\$ 7,715,104	2,233,588	1,731,679	\$ 8,217,013
Yukon	1	—	1	—
Manitoba	113,401	68,725	60,708	121,418
	\$ 7,828,506	2,302,313	1,792,388	\$ 8,338,431

	Balance Dec. 31, 1998	Additions During the Year	Write Down During the Year	Balance Dec. 31, 1999
Alberta	\$ 7,104,740	613,983	3,619	\$ 7,715,104
Yukon	1	2,028	2,028	1
Manitoba	91,207	22,194	—	113,401
Indonesia	—	20,189	20,189	—
	\$ 7,195,948	658,394	25,836	\$ 7,828,506

Included in mineral exploration costs are costs having a book value of approximately \$2,449,500 (1999 - \$2,449,500) which have no cost base for tax purposes.

a) ALBERTA

The Company holds a significant number of mineral rights interests in the Athabasca region of northeastern Alberta.

The Company is party to Co-Development Agreements with Syncrude Canada Ltd., Suncor Energy Inc. and Albian Sands Energy Inc. The agreements provide for a co-operative development of the lands and data sharing by bringing together the holder of the oil sands rights and the holder of the metallic and industrial mineral rights.

During 2000, the Company acquired certain mineral rights from Tintina Mines Limited and NSR Resources Inc. for consideration consisting of 600,000 common shares. The Company continues to strengthen its land tenure by converting key mineral permits to mineral leases. The Company converted 45,388 hectares (112,156 acres) of mineral permits to mineral leases bringing the total land held under lease in the Athabasca Valley to 48,745 hectares (120,550 acres).

Certain lands in the Marguerite River area are subject to nomination for preservation under the Special Places 2000 initiative of the Alberta Government. The Government has made commitments to honour current holdings; however, there is some risk certain lands will not be available for development. At the current time, none of the Company's core holdings are subject to Special Places 2000 nomination.

The Company allowed 19 mineral permits covering 175,104 hectares (432,690 acres) in the Caribou Mountains to lapse at the end of November 2000.

The Company has filed an assessment report with the authorities which management believes will satisfy the Company's exploration commitment to date. Management believes spending requirements have been sufficient to hold the Company's Alberta mineral interests until February 2002.

Based on the amount of land held under mineral permits at December 31, 2000, the Company would be required to spend approximately \$10.8 million in 2002 to hold the permits until 2004. However, as the Company continues its exploration it is anticipated that it will reduce its holdings to areas considered most prospective.

Based on the amount of land held under lease at December 31, 2000, annual lease payments of approximately \$175,000 will be required.

b) YUKON

The Company did not exercise its option in 1998 to purchase a 100% interest in the Swift River permits in the Yukon and accordingly has written off the costs related to this project.

c) MANITOBA

The Company's exploration activity in Manitoba is in the Dawson Bay area. During 1999, the Company entered into an agreement with the Government of Manitoba whereby 25% of expenditures on Birch Mountain's leases, amounting to approximately \$28,000, was reimbursed. The Company anticipates it will be reducing its mineral interests in Manitoba during 2001.

D) INDONESIA

Through its subsidiaries, the Company was paying 100% of the costs to earn a 90% interest in an exploration program in the province of West Kalimantan, Republic of Indonesia.

During 1998, the Company advised the Government of Indonesia and its joint venture partner that it intended to relinquish its Contract of Work on these leases and, accordingly, the remaining mineral exploration costs related to this project were written off.

These financial statements include \$194,000 (1999 – \$194,000) of accounts payable relating to the estimated cost of discontinuing the Indonesian operations.

Share capital

The Company is incorporated under the jurisdiction of the Business Corporations Act of Alberta.

a) AUTHORIZED CAPITAL

Unlimited number of common voting shares

Unlimited number of preferred shares issuable in series

Unlimited number of non-voting shares

b) COMMON SHARES

	Number	Amount (\$)
Balance December 31, 1998	24,487,073	\$ 17,073,832
Issued for cash		
Common shares	1,901,305	1,041,001
Flow-through common shares net of tax benefits renounced of \$223,009	1,490,000	344,990
Stock options exercised	257,400	129,006
Warrants exercised	26,389	26,389
Issued in lieu of salary	65,217	15,000
Issued for mineral rights	62,500	43,500
	28,289,884	18,673,718
Share issuance costs net of tax benefit of \$15,436	—	(19,157)
Balance December 31, 1999	28,289,884	\$18,654,561
Issued for cash		
Common shares	1,205,256	\$ 1,386,047
Flow-through common shares net of tax benefits renounced of \$264,964	1,160,000	1,069,036
Stock options exercised	625,600	335,904
Warrants exercised	1,322,226	1,330,976
Issued for services	350,000	490,000
Issued for mineral permits	600,000	1,400,000
	33,552,966	24,666,524
Share issuance costs net of tax benefit of \$26,342	—	(32,694)
Balance December 31, 2000	33,552,966	\$24,633,830

During 2000, the Company completed private placements of 2,365,256 units at \$1.15 of which 1,160,000 were flow-through units. Each unit consisted of

one common share and one-half common share warrant. A commission of 19,565 units was paid in relation to this issue.

At December 31, 2000, the Company had incurred and renounced approximately \$450,000 of its commitment of \$1,334,000. An additional amount of \$78,000 incurred during the first 60 days of 2001 has been renounced effective December 31, 2000.

The Company entered into an agreement with American Precious Metals (APM) whereby APM will provide introductions to parties who could aid in advancing the determination of precious metals. The Company issued 350,000 shares at \$1.40 during the year and will be obligated to issue an additional 150,000 shares upon the determination that APM had delivered to Birch a successful assay method, as confirmed by independent tests done in a third-party laboratory. The costs of this service have been included in consulting.

During 1999, the Company completed private placements of:

- 2,900,000 units at \$0.36 of which 1,450,000 were flow-through units. Each unit consisted of one common share and one-half common share warrant; and
- 491,305 units at \$1.15 of which 40,000 were flow-through units. Each unit consisted of one common share and one-half common share warrant.

At December 31, 1999, the Company had incurred and renounced approximately \$378,000 of its commitment of \$568,000. During 2000, the Company incurred sufficient expenditures to fulfil its remaining obligation for this issue.

The Company entered into an agreement with a management employee whereby a portion of salary would be paid through the issuance of common shares. The agreement resulted in the issuance of 130,434 common shares at \$0.23 per share for a six-month period expiring March 31, 1999.

c) PREFERRED SHARES

An unlimited number of preferred shares may be issued in one or more series, and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges and conditions attached to the shares of each series.

d) RESERVED FOR ISSUE

Options

The Company has a stock option plan under which the board of directors can grant options to purchase common shares to senior employees, consultants and directors, limited to maximum of 10% of the issued and outstanding shares and a term not exceeding five years.

The Company has granted options on common shares as follows:

	Number of Options	Price Range (\$)	Weighted Average Price (\$)	Expiry Date
December 31, 1998				
outstanding	2,198,000	\$0.22-1.36	\$0.54	2000-2004
Granted	880,000	1.25-1.36	1.36	2004
Exercised	(257,400)	0.22-0.70	0.50	2000-2003
Cancelled	(25,000)	0.70	0.70	2002
December 31, 1999				
outstanding	2,795,600	0.22-1.36	0.80	2000-2004
Exercised	(625,600)	0.22-1.36	0.54	2000-2004
Cancelled	(250,000)	1.06	1.06	2000
December 31, 2000				
outstanding	1,920,000	\$0.22-1.36	\$0.85	2001-2004

Warrants

In relation to private placements, the Company has the following warrants outstanding:

	Number of Warrants	Price Range (\$)	Weighted Average Price (\$)	Expiry Date
December 31, 1998	586,430	\$1.00	\$1.00	1999
Issued	1,695,653	1.00-1.50	1.07	2000
Exercised	(26,389)	1.00	1.00	2000
Expired	(586,430)	1.00	1.00	1999
December 31, 1999	1,669,264	1.00-1.50	1.07	2000
Issued	1,182,628	1.50	1.50	2001
Exercised	(1,322,226)	1.00-1.50	1.01	2000
Expired	(118,885)	1.00	1.00	2000
December 31, 2000	1,410,781	\$1.50	\$1.50	2001

Subsequent to December 31, 2000, the warrants outstanding at end of the year, were extended for a period of six months and now expire on dates ranging from August 10 to October 31, 2001.

e) ESCROWED SHARES

Under the requirements of the Alberta Securities Commission and the Canadian Venture Exchange, 12,483,040 common shares issued in connection with the Company's initial listing as a Junior Capital Pool Corporation, its major transaction and its initial public offering, were held in escrow. As at December 31, 1998, all of these shares have been released from escrow.

Under the terms of a voluntary pooling agreement, an additional 8,528,366 common shares were also placed in escrow and are to be released equally over five years. The 1,705,678 common shares remaining in escrow will be released during 2001.

9. Loss per common share

The net loss per common share was calculated using the weighted average number of common shares outstanding of 32,278,000 shares (1999 - 26,681,000 shares; 1998 - 22,934,000 shares). The effect of the stock options and warrants on the loss per share is anti-dilutive.

10. Continuing obligations

The Company rents premises and equipment under operating leases requiring annual payments over the next five years as follows:

2001	\$ 274,433
2002	269,933
2003	269,933
2004	43,780
2005	16,038

11. Related-party transactions

The Company had the following transactions with related parties:

- Included in mineral exploration costs are amounts paid for aircraft usage and airborne surveying services of \$Nil (1999 – \$78,000; 1998 – \$33,000) to a company controlled by a director; and
- Included in salaries, management fees, and benefits are management fees aggregating \$Nil (1999 – \$2,400; 1998 – \$8,817) which were paid to companies employing the services of a director; and
- Included in shareholder services and promotion are amounts of \$4,206 (1999 – \$NIL; 1998 – \$NIL) paid to a company controlled by the spouse of a director.

12. Income taxes

Future income tax assets consist of the following temporary differences:

	2000	1999	1998
Mineral exploration costs	\$2,004,052	\$ 744,855	\$ 717,165
Capital assets	141,985	117,689	99,628
Scientific Research and Experimental Development Expenditures unclaimed	94,471	94,471	94,471
Loss carry forwards	1,339,701	662,389	579,661
Share issuance costs	32,780	79,473	141,134
Valuation allowance	\$(3,612,989)	\$(1,698,877)	\$(1,632,059)
Future tax assets (net of valuation allowance)	–	–	–

At December 31, 2000, the Company has the following deductions available which have been reflected in the financial statements:

- Canadian mining exploration costs and undepreciated capital cost allowance of \$12.0 million (1999 – \$9.3 million; 1998 – \$9.0 million) which may be carried forward indefinitely; and
- Scientific Research and Experimental Development costs of \$211,000 which were incurred in 1995 may be carried forward indefinitely.

In addition to the above, the Company has the following deductions available which have not been reflected in the financial statements:

- Capital losses of \$680,000 which may be carried forward indefinitely; and
- Investment tax credits of \$38,000 available for carry forward to 2005.

The income tax recovery differs from the amount that would be expected by applying the current tax rates for the following reasons:

	2000	1999	1998
Loss before taxes	\$ 3,769,250	\$ 802,497	\$ 3,217,096
Expected tax recovery at 44.62%	1,681,839	358,074	1,435,468
Tax effect of expenses not deductible for tax purposes			
Meals and other	(9,549)	(7,241)	(3,361)
Non-deductible portion of capital gain	(143)	(233)	(11,713)
Non-deductible portion of investment write down	–	(1,580)	(15,976)
Resource allowance	(184,491)	(62,045)	(58,181)
Share issuance costs	73,035	77,096	74,896
Losses of foreign subsidiaries	–	(9,008)	(321,965)
Valuation allowance	(1,322,069)	(128,263)	(772,441)
Future income tax recovery	\$ 238,622	\$ 226,800	\$ 326,727

13. Segmented information

The Company's principal business segment is the acquisition and exploration of mineral leases and permits and development of mineral technologies. All of the Company's leases and permits are in the exploration stage. The Company's activities are focused in Western Canada, as detailed in Note 7.

14. Financial instruments

The Company's financial instruments include cash, accounts receivable, investment and accounts payable. There are no material differences between their fair values and carrying values at the balance sheet date.

15. Material differences between Canadian and United States generally accepted accounting principles

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principals (GAAP) in Canada. Significant differences between GAAP in Canada and the United States that would have an effect on these consolidated financial statements are as follows:

- a) The balance of any unspent funds raised under a flow-through arrangement is considered restricted cash under U.S. GAAP and would require separate disclosure on the face of the balance sheet. In addition, such restricted amounts would not be considered cash and cash equivalents for cash flow

reporting purposes. The amount of such restricted cash applicable to future flow-through expenditures included in the balance sheet was \$806,000 at December 31, 2000 (1999 – \$346,000).

b) Mineral exploration costs are accounted for in accordance with Canadian GAAP as discussed in Note 2. For U.S. GAAP purposes, the Company expenses exploration costs relating to unproven mineral leases and permits as incurred as well as acquisition costs for leases and permits that do not provide for unrestricted exploration. Any writedown of capitalized exploration costs would be considered an operating expense and included in the determination of operating loss for the period in which the writedown occurred. For U.S. GAAP cash flow statement purposes, mineral exploration costs would be shown under operating activities rather than under investing activities.

c) Future income taxes related to flow-through shares for renunciation of qualified resource expenditures, are treated as a cost of issuing those securities for Canadian GAAP. For U.S. GAAP, these costs are included in the future tax provision.

d) Shares held in escrow which are performance based have been excluded from the loss per share calculation for U.S. GAAP purposes.

If these consolidated financial statements were prepared in accordance with U.S. GAAP, the impact on the balance sheets would be as follows:

	2000	1999
Mineral exploration costs under Canadian GAAP	\$8,338,431	\$ 7,828,506
Exploration expenditures	8,338,431	7,828,506
Mineral exploration costs under U.S. GAAP	\$ –	\$ –
Deficit under Canadian GAAP	\$13,528,173	9,997,545
Exploration expenditures	8,338,431	7,828,506
Future income taxes	870,064	631,442
Deficit under U.S. GAAP	\$22,736,668	\$18,457,493

In addition, the impact on the consolidated statements of loss would be as follows:

	2000	1999	1998
Net loss for the year under Canadian GAAP	\$ 3,530,628	\$ 575,697	\$ 2,890,369
Exploration expenditures	509,885	632,558	(1,359,382)
Future income taxes	238,662	207,573	123,171
Net loss for the year under U.S. GAAP	\$ 4,279,175	\$ 1,415,828	\$ 1,654,158
Loss per share under U.S. GAAP	\$0.13	\$0.05	\$0.08

For U.S. GAAP purposes, the Company has adopted APB Opinion No.25, Accounting for Stock Issued and Employees (APB 25), to account for stock-based compensation to employees and directors using the intrinsic value based method whereby compensation cost is recorded for the excess, if any, of the quoted market price, at the date granted. As at December 31, 2000, no compensation cost has been required to be recorded for any period under this method as the option price has been equal to the market price on the date of the grant.

The Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS 123), issued in October 1995, requires the use of the fair value based method of accounting for stock options. Under this method, compensation cost is measured at the date of grant based on the fair value of options granted and is recognized over the vesting period. These costs were calculated in accordance with the Black-Scholes option pricing model, assuming no dividends are to be paid, vesting occurring on the expiration of the grant, volatility of 37% and 20% for 1999 to 1998 respectively, and an annual risk free rate of 5%. There were no options issued during 2000.

Had the Company adopted SFAS 123 for its U.S. GAAP disclosure, the following net losses would have been reported

	2000	1999	1998
Net loss under U.S. GAAP	\$ 4,279,175	\$ 1,415,828	\$ 1,654,158
Pro-forma stock compensation, after net tax affect	193,087	496,591	84,506
Pro-forma net loss under U.S. GAAP	\$ 4,472,262	\$ 1,912,419	\$ 1,738,664
Pro-forma loss per share under U.S. GAAP	\$0.14	\$0.07	\$0.08

directors, officers, staff & consultants

Directors & Officers

KERRY E. SULLY, P.ENG.,
PRESIDENT, CGX ENERGY INC.,
VANCOUVER, BRITISH COLUMBIA

President, CEO and Director of CGX Energy Inc, and former President, CEO, and Director of Ranchmen's Resources Ltd., Kerry has 31 years of oil and gas experience with public companies. Kerry is Chairman of the Board of Birch Mountain, and a member of both the audit and compensation committees.

DOUGLAS J. ROWE, P.ENG.,
PRESIDENT & CEO, CALGARY, ALBERTA
Co-founder of Birch Mountain Resources, Doug has been President and CEO since the formation of the Company. He founded Brougham Geoquest Ltd. in 1984, and has developed innovative exploration technology for oil, gas, and minerals. Doug is a member of the compensation committee.

DONALD L. DABBS, M.SC., P. AG. P.BIOL.,
VICE PRESIDENT & CFO, CALGARY, ALBERTA
Co-founder of Birch Mountain Resources, Don has nearly 30 years of consulting experience in environmental management and regulatory applications to provincial and federal governments. He has consulted to major

resource developments in Western and Northern Canada, including those in the Athabasca oil sands. Don is a member of the audit committee.

LANNY K. MCDONALD,
BAKER HUGHES CANADA COMPANY, HOCKEY CANADA,
CALGARY, ALBERTA

In 1990, after more than 16 years of National Hockey League play, Lanny joined the Calgary Flames as Vice President. In 2000, Lanny left the Flames and is now Marketing Director with Baker Hughes Canada. He is also the Assistant Executive Director for the Men's World Hockey Championship in 2001. Lanny is chairman of the compensation committee, and a member of the audit committee.

JOHN HOUGHTON, LL.B.,
CORPORATE SECRETARY
John has practiced law for more than 20 years, and is a partner in the firm Donahue and Partners in Calgary. His practice is primarily the identification and resolution of business matters for a variety of public companies and senior private firms. He is Past Chairman of the National Business Law Section for the Canadian Bar Association and the Business Law Subsection of Alberta for the Law Society of Alberta.

SUZANNE LOOV, LL.B.,
ASSISTANT CORPORATE SECRETARY

Suzanne is a partner in the firm Armstrong Perkins Hudson LLP and has been practicing corporate and securities law for seven years. Her practice relates primarily to advising private and public companies on private and public financings, mergers and acquisitions, corporate reorganizations, and continuous disclosure requirements.

HUGH J. ABERCROMBIE, PH.D.,
VICE PRESIDENT, EXPLORATION

Before joining Birch Mountain in 1997, Hugh worked with the Geological Survey of Canada, where he studied fluid migration and the deposition of gold and precious metals in sedimentary basins. Hugh has more than 20 years of experience in geology, geochemistry and mineral exploration, and is Past President of the Calgary Mineral Exploration Group.

GLEN DE PAOLI, M.Sc. P. GEOL.,
SENIOR PROJECT GEOLOGIST

Glen received a Masters degree in Geology from the University of Calgary in 1994. He has been a consultant for 10 years, providing expertise in ore deposits and micro-analytical techniques to mineral exploration companies

in British Columbia and Alberta, and to the Geological Survey of Canada. Glen is a member of the Calgary Mineral Exploration Group and APEGGA.

**KYLA ARDEN, M.Sc.,
PROJECT GEOLOGIST**

Kyla joined Birch Mountain as a geologist in 1997. She graduated from the University of Manitoba in 1995 with a Masters degree in Geochemistry. She has considerable experience in geological mapping projects and in laboratory analysis, including SEM. Kyla is a member of the Calgary Mineral Exploration Group.

**WILLIAM R. HEMSTOCK, B.Sc.,
SENIOR TECHNICIAN**

Bill has been with Birch Mountain since its inception as a private company in 1994. He has more than 15 years of mineral exploration experience in managing airborne, waterborne and ground-based geophysical projects. In addition, he spent five years in the project management of forest inventory and preparation of environmental impact statements.

**BRETT G. JOHNSON, B.Sc.,
EXPLORATION GEOLOGIST**

Brett joined Birch Mountain in 1996 after graduating from the University of North Dakota with a degree in Environmental Geology. He has exploration experience in Alberta, Manitoba, British Columbia and the Yukon. Brett is a member of the Calgary Mineral Exploration Group.

**SCOTT R.A. ROSE, M.Sc.,
PROJECT GEOLOGIST**

Scott joined Birch Mountain early in 1999 after receiving a M.Sc. in Geology and Geochemistry from the University of Calgary. His research focused on carbonate stratigraphy, geochemistry and basin modeling of strata-bound ore deposits. Scott has national and international field experience in mineral exploration in Canada's Arctic Islands and in Peru, South America. Scott is a member of the Calgary Mineral Exploration Group.

**JANE E. QUINN,
SHAREHOLDER SERVICES**

Jane has been with Birch Mountain since its inception as a private company in 1994. Her previous business experience includes computer operations, office management and administration management for a number of oil and gas, mapping and land companies. Jane is a member of the Prospectors and Developers Association of Canada, the Canadian Institute of Investor Relations and the Calgary Mineral Exploration Group.

Scientific Advisory Board

DR. RICHARD PUDDDEPHATT, LONDON, ONTARIO
Dr. Puddephatt is a Fellow of the Royal Society (U.K.), Fellow of the Royal Society of Canada and Professor of Chemistry at the University of Western Ontario. He has published several books on the chemistry of gold and more than 450 peer-reviewed scientific publications in the field of chemistry. Dr. Puddephatt holds patents and is Senior Editor of the Canadian Journal of Chemistry.

DR. ROBERT FITCH, EL PRADO, NEW MEXICO

Dr. Fitch, President of Fitch and Associates, is primarily involved in assessing new technologies and research in chemistry and physics. Dr. Fitch retired as Senior Vice President of Research and Development for SC Johnson Wax in 1990. Prior to that, he was Professor of Chemistry and Materials Science at the University of Connecticut. Dr. Fitch holds patents and has published more than 100 papers and three books on polymer colloids and polymers at interfaces.

Technical Advisors & Consultants

LEGG MASON WOOD WALKER, INC.

Legg Mason Wood Walker, Inc. is the principal broker-dealer subsidiary of Legg Mason, Inc., a publicly traded holding company headquartered in Baltimore, Maryland. Legg Mason provides investment advisory, securities brokerage, investment banking and related financial services through its wholly owned subsidiaries.

MAX COOLEY

Max Cooley is a consultant in gold and precious metals fire assay, chemical analyses, and metallurgy. Prior to retirement, Max spent 11 years at Barrick Gold's Mercur Mine in Utah. Before this, he operated his own metallurgical research laboratory, participating in a wide variety of projects including process development and remedial treatment of mine and mill tailings. Max is a member of the Society of Mineral Analysts.

corporate information

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Contacts

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For current information, visit:
www.birchmountain.com

Registrar & Transfer Agent

Computershare Trust Company of Canada

Bankers

Hong Kong Bank of Canada

Auditors

Meyers Norris Penny

Solicitors

Armstrong Perkins Hudson LLP
Donahue Ernst & Young
Hodgson Russ Andrews Woods & Goodyear

Corporate Data

	December 31 2000	March 31 2001
Common shares issued and outstanding	33,552,966	33,552,966
Outstanding common share options	1,920,000	2,278,750
Common shares via outstanding warrants	1,410,781	1,410,781
Fully diluted common shares	36,883,747	37,242,497
Escrowed common stock	1,705,678	1,705,678
Public float (estimate)	29,000,000	29,000,000

For more information on common shares, escrowed shares,
and stock options, see note 8 in the Notes to the Financial
Statements.

Capitalization & Share Distribution

December 31, 2000	
Symbol	BMD
Exchange	Canadian Venture-CDNX
Shares outstanding	33,552,966
Fully diluted shares	36,883,747
52-week high	\$3.05
52-week low	\$0.40
Market capitalization	\$24.5 million

Conversions

To Convert:	Multiply by:
Acres to hectares	0.405
Hectares to acres	2.47
A ton to a tonne	0.907
A tonne to a ton	1.1
Troy ounces to grams	31.1
Grams to troy ounces	0.032
Metres to feet	3.28
Kilometres to miles	0.62

Annual General & Special Meeting

3:30 pm, June 21, 2001
Angus/Northcote Rooms
Conference Centre
Plus 30 Level
Bow Valley Square II
205 Fifth Avenue S.W.
Calgary, Alberta, Canada

Shareholders unable to attend the meeting are encouraged to
complete and return a valid FORM of PROXY, which is mailed
to all shareholders of record before the meeting.

B M D	BIRCH MOUNTAIN RESOURCES LTD.
	3100, 205 FIFTH AVENUE S.W.
	CALGARY, ALBERTA CANADA T2P 2V7
	TEL 403 262 1838 FAX 403 263 9888



50,000x

magnification

This dot represents a nanoparticle
magnified 50,000 times.



140,000x

magnification

This dot represents a nanoparticle
magnified 140,000 times its original size.



214,000x

magnification

And here the dot represents the size
of a nanoparticle magnified 214,000 times.